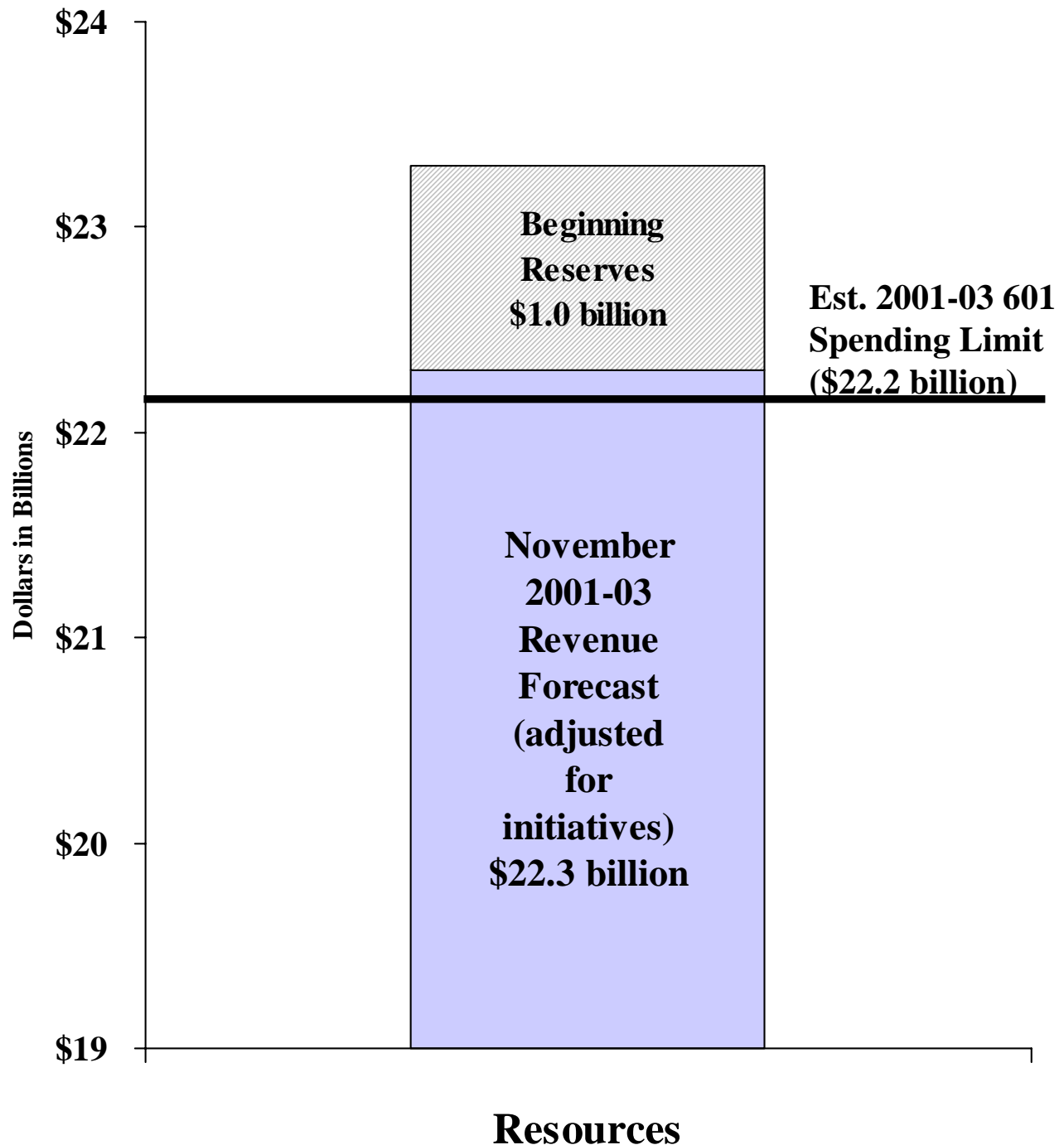


Preview of 2001-03 Budget Situation

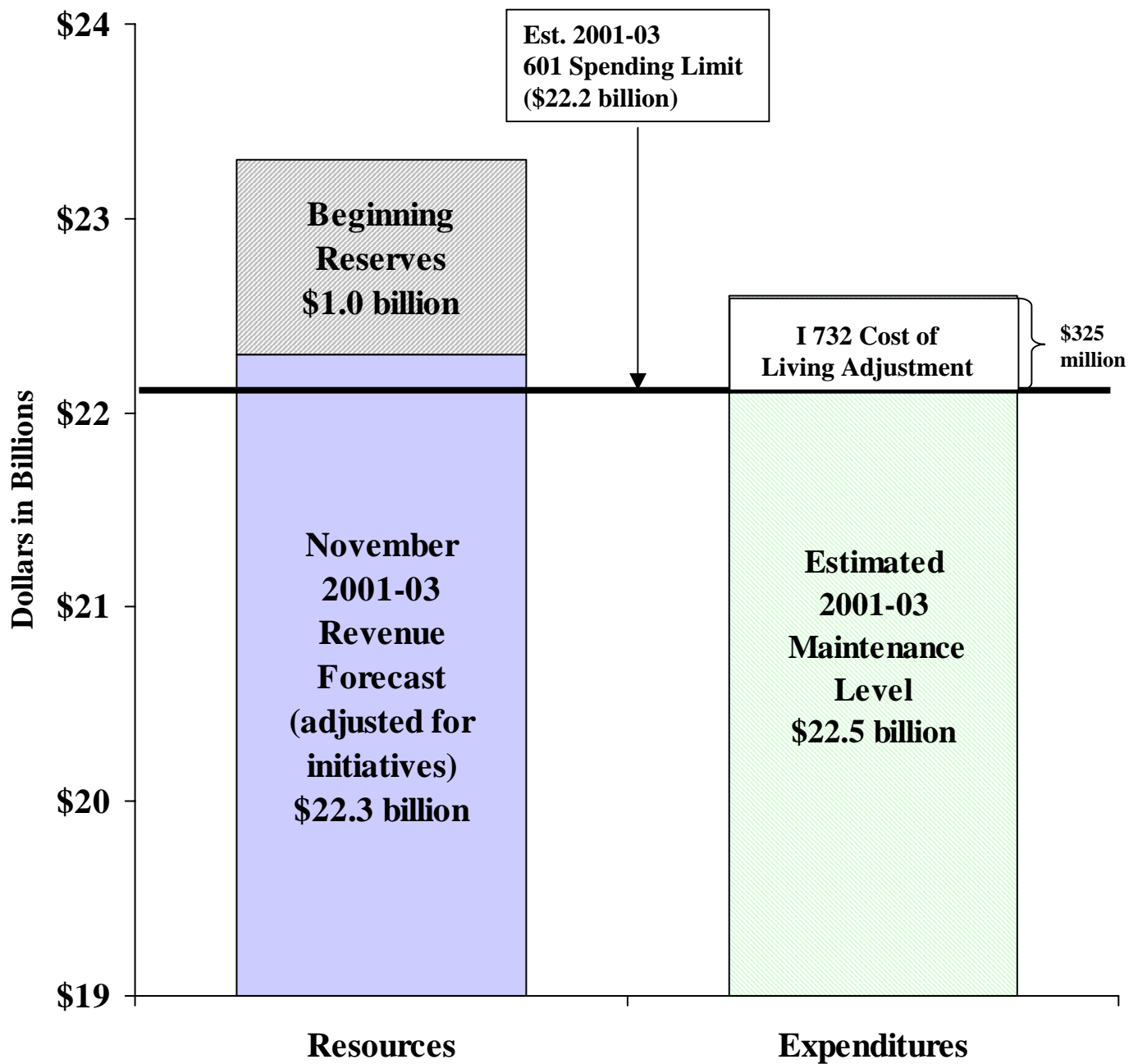


Prepared by
Senate Ways and Means Committee Staff
Updated January 29, 2001

Revenue and reserves are greater than the 2001-03 601 spending limit...

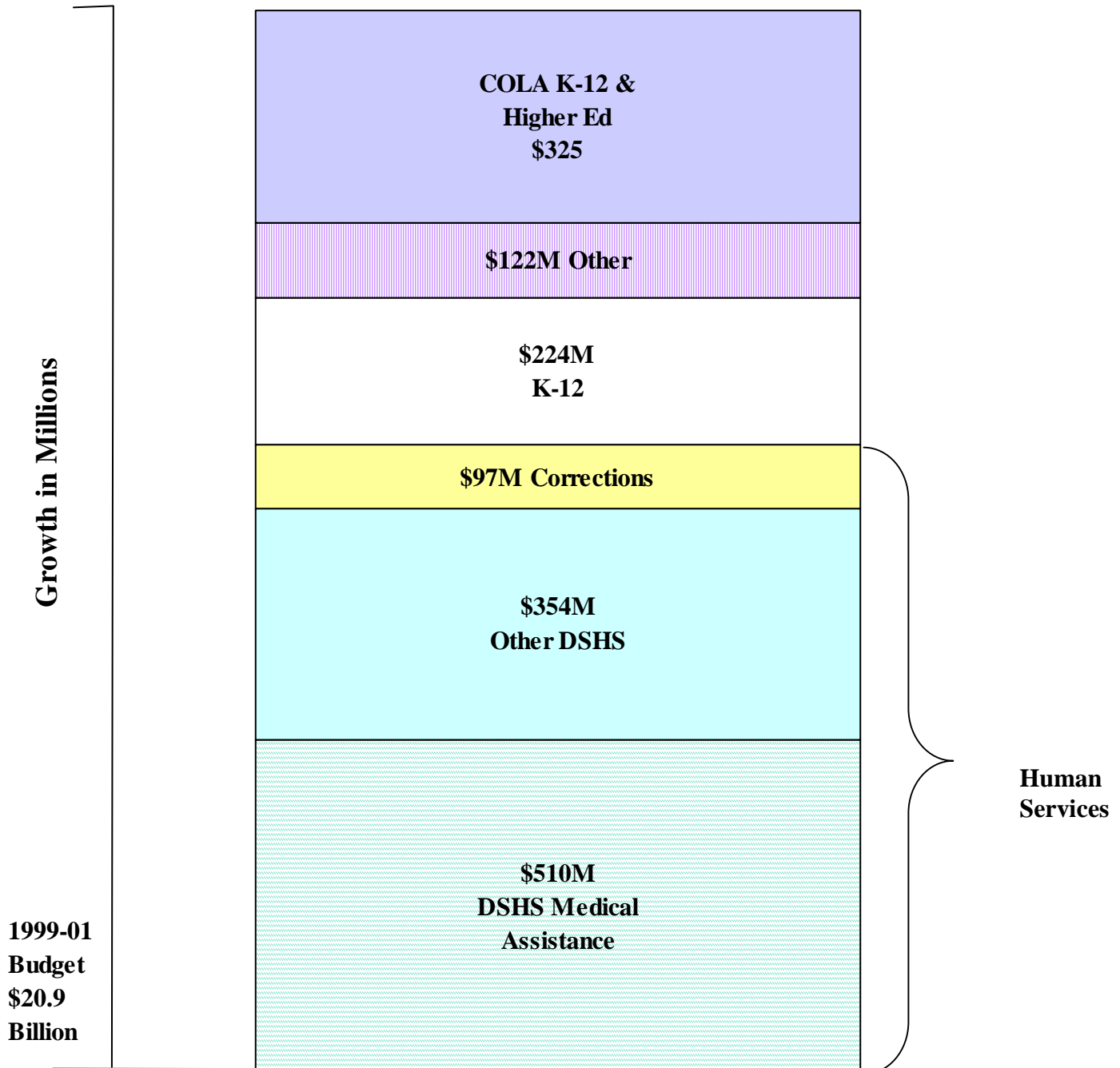


...However, the estimated 2001-03 maintenance level budget is greater than BOTH the 601 spending limit and revenues.

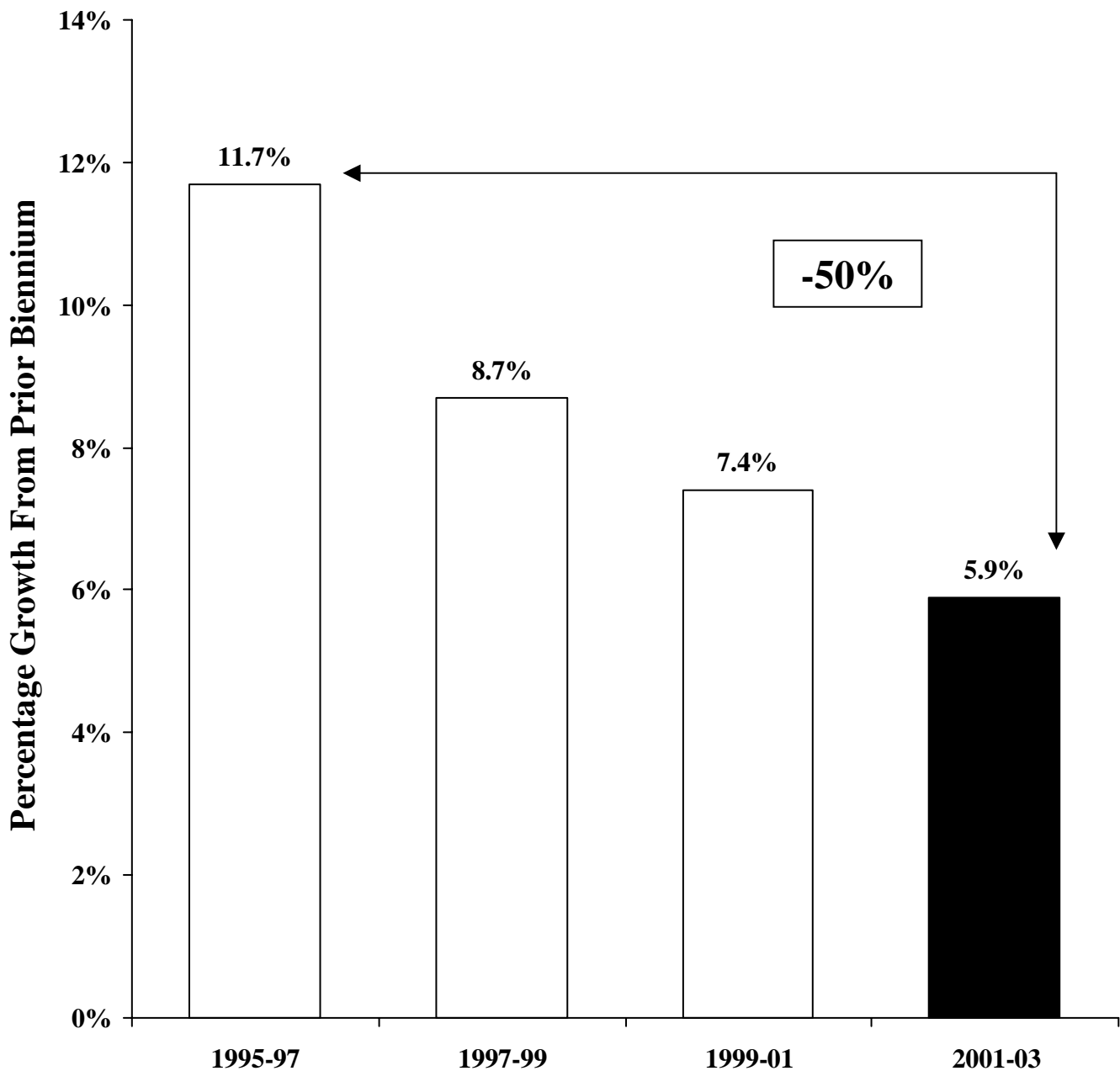


Human Services accounts for over half of the increase in the maintenance level budget.

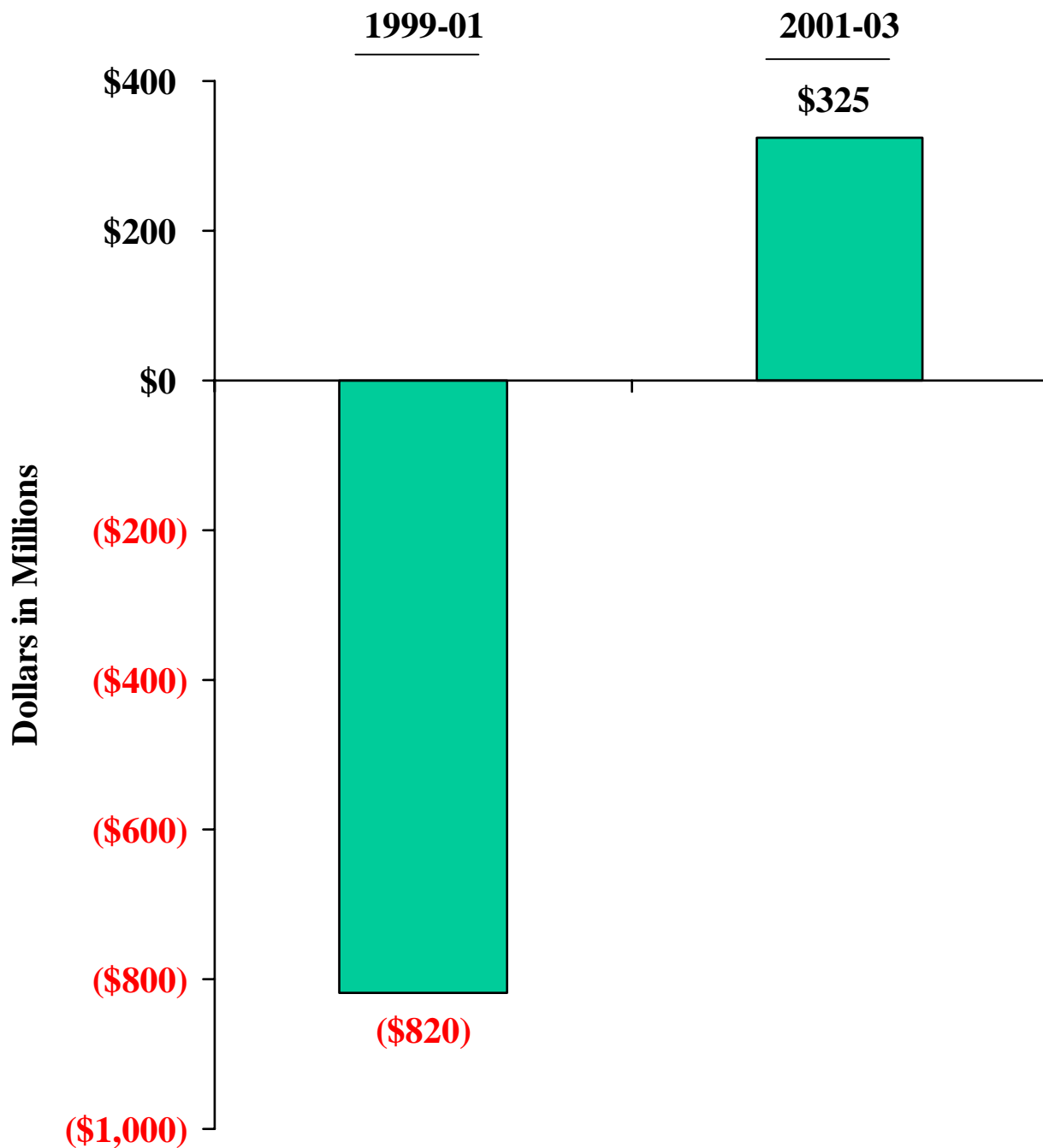
2001-03 Budget
\$22.5 Billion



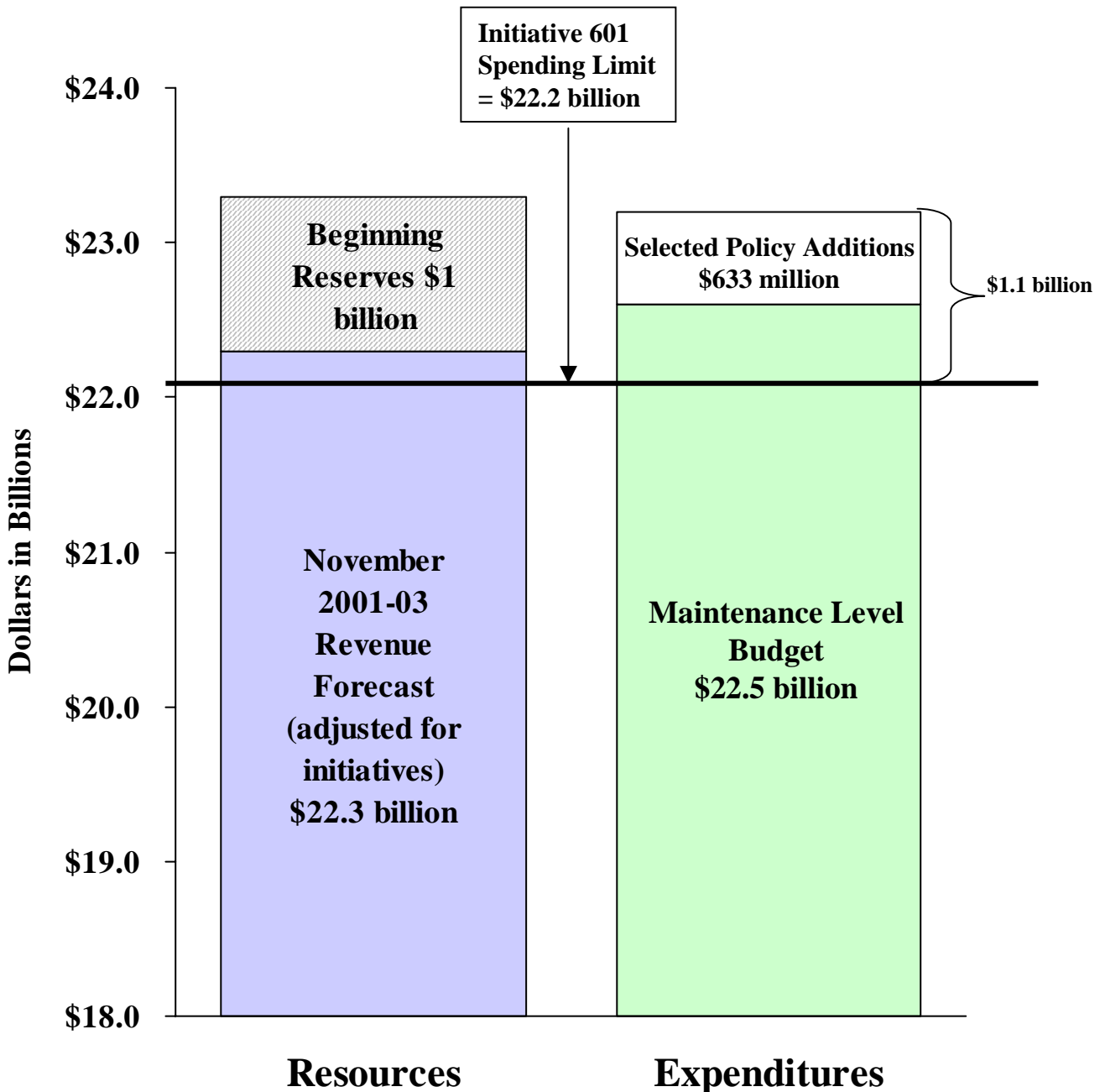
The 601 fiscal growth factor for the 2001-03 biennium is the lowest since Initiative 601 was approved



Maintenance level budgets for the 99-01 biennium and 01-03 biennium compared to 601 spending limit



A maintenance level budget plus selected policy adds would be \$1.1 billion over the 601 spending limit



\$633 million selected policy additions

- **\$213 million** is the projected cost to maintain current health benefits for state employees and K-12 employees.
- **\$100 million** is the projected cost for Higher Ed enrollments and financial aid.
- **\$320 million** is the projected cost to match I-732 cost of living increases for 4 year higher education and state employees - \$201 million and vendors - \$119 million (3.7% fiscal year 2002, 2.6% fiscal year 2003).

2001-03 Budget Situation in Historical Context

- In 1993-95, the estimated cost of the current services budget was \$1.7 billion GREATER than available revenue (there was no spending limit in this biennium).
- In 1995-97, the current services budget was estimated to be about \$200 million BELOW the 601 spending limit.
- In 2001-03, the current services or “maintenance level” budget is \$400 million ABOVE the 601 spending limit, putting the magnitude of next biennium’s budget situation somewhere between the 1993-95 and 1995-97 biennia.

Budgetary Reductions Taken During 1993-95 and 1995-97

1993-95

- \$157 million reduction in K-12 levy equalization and block grants.
- \$53 million in cuts to state administrative staff, postage, printing.
- \$91 million in across-the-board reductions in higher education.

1995-97

- \$93 million in savings by changing K-12 special education and vocational education reimbursement.
- \$20 million savings from cutting K-12 administrators salaries.
- \$15 million in K-12 school bus purchase savings.
- \$39 million in higher education across-the-board reductions.
- \$34 million in savings from Medicaid managed care.
- \$28 million in savings from Long Term Care reform legislation.